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Investor Relations
Corporate Planning Division
Tokyo Electron Limited

Q1 FY2027 Earnings Briefing Q&A

■ Questions

Q1 Regarding the outlook for the WFE[*1] market, your forecast has been updated to CY2026: $150 billion+ and CY2027: $190 billion+. Could you tell us the growth rates by application? Also, please comment on the growth rates from H1 to H2, for both CY and FY.

Q2 With the CY2026 WFE outlook being $150 billion+, TEL's view seems somewhat bearish. Is this an indication that capacity could be a constraint and you may not be able to build enough, or that there could be some unexpected event in H2? With the CY2026 WFE outlook being $150 billion+, TEL's view seems somewhat bearish. Is this an indication that capacity could be a constraint and you may not be able to build enough, or that there could be some unexpected event in H2?

Q3 On page 15 of the earnings presentation, there are five initiatives aimed at improving profitability. Could you tell us the timeline for each initiative and the rough magnitude of the expected impact?

Q4 Could you tell us about your progress with price optimization over the past three months? Should we assume that the impact on sales will begin in H2 FY2027? Also, are adjustments being made for the current models as well?

Q5 If we calculate GPM and OPM in the Q2 FY2027, the outlook is for a decline versus Q1. Could you explain this?

Q6 You said that operating profit of one trillion yen is coming into view. Is this for FY2027 or for a period beyond that?

Q7 You expect the CY2027 WFE market to grow by 20%+ year over year. Together with price optimization, should we expect FY2028 to see a substantial increase in revenue?

Q8 At the earnings briefing in April, you mentioned the target of 50% GPM in two years. On a quarterly basis, would it be possible to achieve that in FY2028?

Q9 Given the significant growth in the WFE market, we can expect a decrease in the fixed cost ratio driven by revenue growth. Does this mean the OPM for FY2028 will approach the 35% target set in the current Medium-term Management Plan? Also, what level of OPM are you aiming for in the next Medium-term Management Plan?

TEL

Q10 TEL has been aiming to grow faster than the WFE market, but over the past few years, it appears that market share has been declining. Please explain why you believe you can expand market share going forward.

Q11 When comparing the WFE market outlook with TEL's revenue outlook, it looks like TEL is expecting to grow faster than the overall market in FY2027. What will be the key drivers behind TEL's revenue growth in FY2027 and FY2028?

Q12 In the capital markets, some forecast that the WFE market could reach $250 billion in CY2027 and $300 billion in CY2028. For demand at that scale, if semiconductor chip manufacturers present commitments or forecasts for equipment purchases two to three years ahead, for example, will TEL be capable of supplying enough equipment?

Q13 The Miyagi Innovative Production Center is scheduled for completion in the summer of CY2027. Please tell us how much TEL's production capacity will change before and after its operations begin.

Q14 The revenue outlook for coaters/developers in FY2027 seems very bullish, with 50% YoY growth. In particular, when compared to the growth rate of the market for exposure systems, to which coaters/developers are docked, TEL's sales growth rate of these systems is significantly higher. Could you explain why you believe you can achieve growth that significantly outperforms the growth rate of the exposure systems market?

Q15 Regarding Field Solutions sales, calculating based on the earnings forecast for H1 FY2027, the plan is for Q2 to decrease slightly compared to Q1. This leaves a conservative impression relative to the market environment, so please explain the background and factors behind this outlook.

TEL

■ Q&A

Q1 Regarding the outlook for the WFE[*1] market, your forecast has been updated to CY2026: $150 billion+ and CY2027: $190 billion+. Could you tell us the growth rates by application? Also, please comment on the growth rates from H1 to H2, for both CY and FY.

A1 In CY2025, the split was roughly 65% logic and 35% memory, and in CY2026 it is expected to be 60% logic and 40% memory. There is no particular difference between the FY and CY. Essentially, the semiconductor market is being driven by agentic AI, and advanced investments remain active. Demand is expanding not only for HBM and GPUs, but also for CPUs and NAND.
For CY2026, while we said the WFE market size would be $150 billion+, the breakdown would be DRAM in the low-$40 billion range, NAND in the mid-teens billions range USD, logic in the mid-$80 billion range, and WLP[*2] at around $10 billion. From CY2025, the growth rates are 30%+ for DRAM, 40% + for NAND, and 15%+ for logic.
Comparing CY2026 to CY2027, we reported that the overall WFE market is expected to grow by about 20%, and there will be no major change in the application mix.

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Q2 With the CY2026 WFE outlook being $150 billion+, TEL's view seems somewhat bearish. Is this an indication that capacity could be a constraint and you may not be able to build enough, or that there could be some unexpected event in H2?

A2 We said $150 billion+ because there is sufficient upside in growth potential. In the global WFE market outlook, we considered the capacity of equipment makers worldwide and the supply of various parts and components, and we believe that expressing it as $150 billion+ is appropriate.
Our comment on CY2027 being $190 billion+ reflects our view that it will reach "at least" $190 billion. We are aware that some in the capital market expect the CY2027 WFE market to reach $200 billion, and we feel that there is nothing particularly wrong with that interpretation.

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Q3 On page 15 of the earnings presentation, there are five initiatives aimed at improving profitability. Could you tell us the timeline for each initiative and the rough magnitude of the expected impact?

A3 The details of the five initiatives are as follows. We will continue to pursue them steadily.
1 and 2: We will continue to introduce high-value-added, next-generation tools and upgrades on a two-to-three-year cycle so as to contribute to technological innovation. Another strength is that, given TEL's broad equipment lineup, we can propose both scaling and advanced packaging. We are also working to ensure appropriate pricing by delivering value that improves customer productivity and efficiency.
3: By leveraging AI-based solutions and providing infrastructure, we will enhance the value of our services. We aim to grow profits by contributing to customer productivity improvements through higher yields, such as reduced defects and reduced particles, longer maintenance intervals, and shorter downtime.
4: We ship 4,000 to 6,000 units of equipment per year. By improving start-up efficiency from delivery to acceptance, we aim to significantly reduce time and cost. To that end, we will release next-generation equipment incorporating methods to halve setup time and improve efficiency.
5: Regarding setting the optimal prices to address cost increases from inflation and production ramp-ups, we believe that this is an issue which we need to address in the near term.

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TEL

Q4 Could you tell us about your progress with price optimization over the past three months? Should we assume that the impact on sales will begin in H2 FY2027? Also, are adjustments being made for the current models as well?

A4 There has been an impact on costs to respond to inflation and production increases. Customers already understand the importance of price optimization, including for current models. We expect contributions to begin in H2 FY2027, with effects becoming visible in Q4.

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Q5 If we calculate GPM and OPM in the Q2 FY2027, the outlook is for a decline versus Q1. Could you explain this?

A5 In the margins for the Q2, the current forecast reflects the impact of the product mix and increases in fixed costs, such as labor expenses.

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Q6 You said that operating profit of one trillion yen is coming into view. Is this for FY2027 or for a period beyond that?

A6 It is for FY2027.

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Q7 You expect the CY2027 WFE market to grow by 20%+ year over year. Together with price optimization, should we expect FY2028 to see a substantial increase in revenue?

A7 In terms of revenue, we are in a situation where strong growth can be expected. We aim to improve profitability through the five initiatives listed on page 15 of the earnings presentation, such as by providing high-value-added products.

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Q8 At the earnings briefing in April, you mentioned the target of 50% GPM in two years. On a quarterly basis, would it be possible to achieve that in FY2028?

A8 We are carrying out activities with a focus on achieving this target in early FY2028.

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Q9 Given the significant growth in the WFE market, we can expect a decrease in the fixed cost ratio driven by revenue growth. Does this mean the OPM for FY2028 will approach the 35% target set in the current Medium-term Management Plan? Also, what level of OPM are you aiming for in the next Medium-term Management Plan?

A9 An OPM of 35% is a target that we are aiming for in the near term. In the next Medium-term Management Plan, we will aim beyond that. We will pursue world-class profitability by driving growth in our existing businesses, investing in efficiency improvements, and expanding our SAM by combining the technologies we already have.

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TEL

Q10 TEL has been aiming to grow faster than the WFE market, but over the past few years, it appears that market share has been declining. Please explain why you believe you can expand market share going forward.

A10 The decline in market share over the past few years has been driven primarily by foreign exchange fluctuations. Going forward, we will work to regain our share by optimizing pricing while taking into account not only the impact of exchange rates, but also inflation.

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Q11 When comparing the WFE market outlook with TEL's revenue outlook, it looks like TEL is expecting to grow faster than the overall market in FY2027. What will be the key drivers behind TEL's revenue growth in FY2027 and FY2028?

A11 Demand for AI servers is strong, and TEL, which focuses on leading-edge domains, can achieve growth across all areas.
We hold a market share of over 90% with coaters/developers, which are expected to grow in line with lithography overall, such as EUV, immersion, and KrF.
In etch, while the DRAM market is growing, we have a strong position in the capacitor etch process. In addition, we previously announced in our October 2025 earnings briefing that cumulative sales for the interconnect processes over five years would be 500 billion yen or more, but we are now in a position to target one trillion yen. Furthermore, we have the opportunity to expand our share in cryogenic etch for 400-layer NAND, which will finally enter mass production in CY2027.
In advanced packaging, sales of bonders and debonders are also expected to grow significantly. In probers, we are receiving an extraordinary number of inquiries, and revenue growth is anticipated to be high.

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Q12 In the capital markets, some forecast that the WFE market could reach $250 billion in CY2027 and $300 billion in CY2028. For demand at that scale, if semiconductor chip manufacturers present commitments or forecasts for equipment purchases two to three years ahead, for example, will TEL be capable of supplying enough equipment?

A12 In our case, our customers have been providing us with their investment plans for about two years.
We believe that our strength lies in our ability to make steady preparations together with the supply chain we have established in Japan. While we cannot say that we currently possess the production capacity to meet a market scale of $300 billion, we are working to enhance productivity by promoting smart fabs, starting in Miyagi, so that we can respond to such a scenario.

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Q13 The Miyagi Innovative Production Center is scheduled for completion in the summer of CY2027. Please tell us how much TEL's production capacity will change before and after its operations begin.

A13 Ultimately, we plan to secure a production capacity for etch systems that is approximately three times the current level. We intend to accelerate efforts to maximize our capacity in line with the latest market conditions.

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TEL

Q14 [*3] The revenue outlook for coaters/developers in FY2027 seems very bullish, with 50% YoY growth. In particular, when compared to the growth rate of the market for exposure systems, to which coaters/developers are docked, TEL's sales growth rate of these systems is significantly higher. Could you explain why you believe you can achieve growth that significantly outperforms the growth rate of the exposure systems market?

A14 Compared to exposure systems, the sales volume has a larger impact on our coaters/developers sales than the type of light source. In FY2027, we expect sales to grow significantly, driven by a wide range of demand not only for leading-edge applications such as EUV, but also for immersion, KrF, and packaging. Additionally, there may be a slight discrepancy in the timing of deliveries and recording sales between exposure systems and coaters/developers.

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Q15 [*3] Regarding Field Solutions sales, calculating based on the earnings forecast for H1 FY2027, the plan is for Q2 to decrease slightly compared to Q1. This leaves a conservative impression relative to the market environment, so please explain the background and factors behind this outlook.

A15 The fab utilization rates of customers for leading-edge applications are extremely high, and parts and services sales are expected to increase steadily. On the other hand, because used equipment and modifications have short lead times and are difficult to forecast, we are presenting figures that we consider reliable at this point in time.

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*1 WFE: Wafer Fab Equipment
*2 WLP: Wafer Level Packaging
*3 This question was received in text during the earnings briefing and was left unanswered due to time constraints.

FY202x refers to the financial year ending in March 202x.

The content above is a summary of the Q&A session.